ABSTRACT

A method and system for managing risk for contracts offered for trading in systems is disclosed. A complete set of contracts includes the contracts, each of which matures upon event(s) occurring. The complete set guarantees at least an initial settlement value at at least one particular time. The complete set also corresponds to a settlement value, which is based upon the initial settlement value and an, preferably, interest rate effect, if any. A winning contract pays a notional upon maturing. Rate differential(s) between systems, and hedging costs exist. In one aspect, the method and system include determining whether a matching trade in a second system for a trade in a first system is possible, determining whether conducting the trades is profitable and, if so, performing these trades. In another aspect, the method and system determine whether individually selling the contract(s) is profitable given the rate differential. If so, the method and system also include obtaining the complete set and individually selling the contract(s). In another aspect the method and system include determining whether assembling the complete set is profitable given the rate differential. If so, the method and system include assembling the complete set and exchanging the complete set for the settlement value.